


AR07

*Na-Churs* International  
**ANNUAL REPORT 1969-1970**







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# NA-CHURS INTERNATIONAL LIMITED

## ANNUAL REPORT 1970

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## Letter From The President

### To Our Shareholders

A study of this report will reveal that your company has just completed the most successful year in its history, setting new records in both sales and earnings. This report has been expanded to give the shareholders more details on the operations and financial condition of your company. Statistical data on the five-year growth story of Na-Churs can be found inside the back cover.

On May 31st, 1970, the Canadian dollar became a floating currency. As your company carries on business in both the United States and Canada, your directors felt it desirable to review the reporting methods in order that results would reflect most accurately the financial condition of your company. As 90% of the sales and a substantial proportion of the assets are in the United States, your directors, with approval of the auditors, concluded that the most appropriate method of reporting all figures would be in United States currency. This method of reporting will minimize the extraordinary adjustments due to any future fluctuations in the Canadian dollar. 1969 and prior years financial data has been restated to reflect this change in reporting to the shareholders.

### SALES

Consolidated sales for the year ending Sept. 30, 1970, reached a record \$8,283,426. This compares with a restated \$7,717,986. for the year ending Sept. 30, 1969. Your management believes that although the cash-with-order discount reduced the average selling price, it increased gallons sold and added significantly to the improved financial condition of your company. Our sales organization is again offering this prepayment discount to our customers this year. The accompanying map indicates the area covered by our extensive sales force.

### EARNINGS

In 1970 earnings of \$1,110,416 before providing for income taxes set a new record and exceeded the restated total for 1969 by \$392,682, or 54.7%.

Net earnings were \$555,416 compared to a restated \$344,734. in 1969. This is an increase of 61%. Income taxes declined slightly primarily from the removal on June 30, 1970, of the surtax on income of our United States operations. Net earnings per outstanding share increased to \$1.09 from a restated 67¢ in 1969.

### BALANCE SHEET

The balance sheet reflects the steadily improving condition of your company. Working capital (current assets less current liabilities) totalled \$2,065,126 at Sept. 30, 1970, compared to \$1,715,892 a year earlier. Working capital ratio improved from 1.6:1 to 2.1:1. The increased cash collections due to the success of our cash-with-order discount is reflected in the sharply lower current liabilities. The statement of Consolidated Source and Application of Funds shows the details of the changes in working capital.

### PLANTS AND PROPERTIES

Net capital expenditures in the 1970 fiscal year for buildings, machinery and equipment was \$265,247. During the fiscal years 1968 and 1969 large expenditures in this area were required in order that we might provide our customers with prompt efficient service. These expenditures declined to a more normal level in 1970, and future capital expenditures will be more closely related to sales.



## ACCOUNTS RECEIVABLE

Although Accounts Receivable have not declined substantially in total, our experience has shown that farmers are among the best credit risks.

## STOCK OPTIONS

At the last Annual Meeting, shareholders approved a stock option plan covering 25,000 treasury shares. During the year stock options were granted to key personnel in the amount of 23,000 shares, exercisable at a price of \$4.30 (Canadian) per share, as to 3,000 over a 3-year period and as to 20,000 over a 5-year period.

## RESEARCH

A major effort was instituted in 1969 toward reducing costs and increasing the efficiency of the productive facilities with special emphasis on improving the quality of all products.

One of the company's agronomists, Mr. Owen McIntyre, working in conjunction with a research program at the University of Toronto, has developed a new formulation which provides advantages to both your company and the customer. The new 9-18-9 fertilizer is the first of a series of analyses containing sulphates, which are generally lacking in most soils and are necessary for plant growth.

Mr. Carl F. Hazenberg of Quincy, Florida, who holds B.S. and M.S. degrees in Sub-tropical and Tropical Agriculture from the world-famous University for Tropical Agriculture in the Netherlands, has been added to our research staff. His 30 years of experience in agronomy, worldwide, will enable him to provide significant assistance to Na-Churs growers in southern United States and in Central and South America. Although operating out of the Marion office, Mr. Hazenberg will concentrate his services in those areas.

## CHANGES IN EXECUTIVES

In 1970, Mr. Byron Edney, Vice-President, Na-Churs Plant Food Co. (Canada) Ltd., was elected to the new post of Executive Vice-President, Na-Churs International Limited.

In August, Mr. G. E. Hall, formerly Accountant of Na-Churs Plant Food Co. (Canada) Ltd., was appointed Comptroller of Na-Churs International and its subsidiaries.

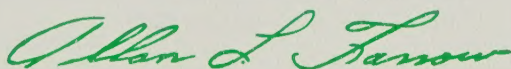
Mr. Owen McIntyre, holder of a B.S. Degree from Northwest Missouri State with majors in Agriculture and Chemistry, and an M.S. Degree in Biology from Northern University of Iowa, was appointed Agronomist in charge of field research and quality control. Mr. McIntyre has been largely responsible for the development and formulation of the new products as outlined in the Research section of this report.

## OUTLOOK

During 1971 we plan on retaining the efficiencies effected this year, and at the same time put more emphasis on improving sales. Our objective in 1971 is to increase our sales force by 1,000; and, as of this date, we have hired 600 men.

We would like to express our appreciation and thanks to all our employees throughout the Company who have contributed to making 1970 a successful year.

On behalf of the Board,

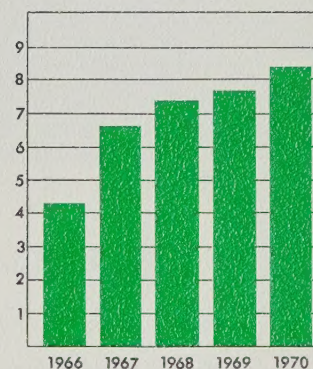


ALLAN L. FARROW  
President

November 24, 1970

## SALES

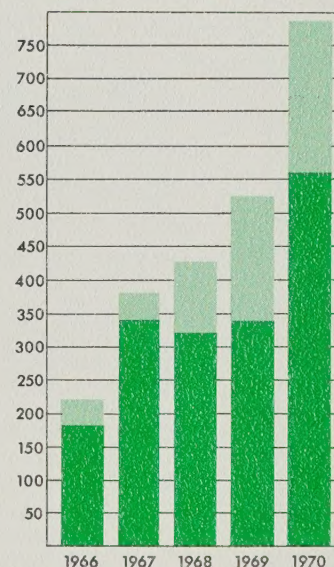
MILLIONS OF DOLLARS



## CASH FLOW

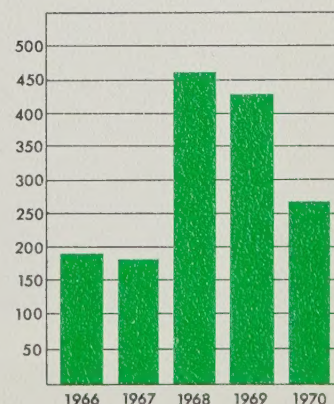
THOUSANDS OF DOLLARS

■ NET EARNINGS ■ DEPRECIATION



## NET CAPITAL EXPENDITURES

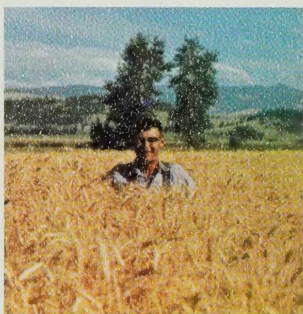
THOUSANDS OF DOLLARS





## NA-CHURS Yields High Profit Crops

**BEANS HAVE BECOME** increasingly more important and more profitable as a cash crop for the modern farmer. Under the NA-CHURS Program — NA-CHURS in-the-row, in deep placement and in foliar spray, bean growers have gained larger yields with better quality and earlier maturity. Controlled feeding of soybeans is important since the bean plant lives only a short time. Foliar feeding with NA-CHURS is the only way to assure that food is available at the moment it is needed. Since crops grown on the Complete NA-CHURS Program completely utilize nutrients during the crop year, we are able to minimize to a very high degree any possibility of pollution.



**ABUNDANT HARVESTS OF WHEAT** begin with in-the-row application of NA-CHURS at planting for a vigorous start, faster emergence and deeper, more developed root systems. Foliar feeding when plants are 6 to 8 inches high continues the improvement of grain quality, making it heavier, plumper and higher in protein. The wheat shown here produced a yield of 93 bushels per acre under the NA-CHURS Program. A test plot planted at the same time, with the same seed, but without NA-CHURS, yielded only 55 bushels per acre.

**CORN YIELDS WILL INCREASE** from 15 to 30 bushels per acre under the Complete NA-CHURS Program. These larger yields are possible because NA-CHURS gives corn a better start (even in dry weather), stronger root systems and earlier maturity. That NA-CHURS builds larger plants with definitely stronger root systems is shown in this photo of test strip corn with and without NA-CHURS. Early maturity, fuller ears and drier corn with higher protein is standard under the NA-CHURS Program.



**SUGAR BEETS INCREASE IN YIELD** and in sugar content under the NA-CHURS Program. Growers can expect a 4 to 5 ton per acre increase in yield and an additional profit from higher sugar content. Under the NA-CHURS Program, soil testing determines the exact NA-CHURS formula which is applied as a starter on the seed, in deep placement and through foliar feeding to assist in resisting blight and to give the plants a healthy root system. The final spray, applied 10 days to 2 weeks before harvest will help to raise the sugar content.





Only a color photo can show fully the difference between blighted corn with and without foliar feeding with NA-CHURS. Note the rich, mature color of the corn on the left.



## NA-CHURS Foliar Fed Corn Resists Southern Leaf Blight

These photographs offer convincing proof that NA-CHURS will be an important part of your profit picture for the 1970's. Gerald Tarnow of Indiana hosted the Indiana Farm Progress Show.

Photo 1 shows corn foliar fed twice with NA-CHURS. Note the entire absence of blight conditions and the excellent standability. In photo 2, Allan Farrow, President of NA-CHURS, demonstrates the results — 152.1 bushels per acre.

Photo 3 shows a stand of non-foliar-fed corn and the effects of blight — the broken stalks and the poor standability. In photo 4, Allan Farrow demonstrates the decreased harvest — 124.2 bushels per acre.

As the old cliché says, "The proof is in the pudding." With foliar feeding, yield of the corn was increased by 28 bushels an acre and test weight was 54 pounds to the bushel as compared to only 48 pounds.



- 1 Corn foliar fed twice with NA-CHURS. Note absence of blight and excellent standability.
- 2 Allan Farrow, President of NA-CHURS, shows results — 152.1 bushels per acre.



- 3 Southern leaf blighted corn without foliar feeding. Note broken stalks and poor standability.
- 4 Blighted corn produces only 124.2 bushels per acre. Allan Farrow demonstrates.



### ASSETS

#### CURRENT ASSETS

	<u>1970</u>	<u>1969</u>
Cash	\$ 126,112	\$ 195,682
Accounts receivable:		
Trade	3,285,978	3,358,740
Other	97,935	110,147
Less allowance	( 319,885)	( 247,707)
	<u>3,064,028</u>	<u>3,221,180</u>
Inventories, at lower of cost (first-in, first-out) or market:		
Finished products	658,430	816,325
Work in process, raw materials and supplies	<u>123,774</u>	<u>133,833</u>
	782,204	950,158
Prepaid expenses, etc.	<u>48,786</u>	<u>75,476</u>
<b>TOTAL CURRENT ASSETS</b>	<b>4,021,130</b>	<b>4,442,496</b>

#### DEFERRED TAXES ON INCOME

	61,000	29,000
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#### PROPERTY, PLANT AND EQUIPMENT

On the basis of cost:		
Land	31,859	31,859
Buildings and roadways	278,232	235,991
Plant equipment and storage tanks	1,470,058	1,248,495
Office furniture and equipment	74,839	70,223
Automotive equipment	<u>13,656</u>	<u>23,037</u>
	1,868,644	1,609,605
Allowances for depreciation	<u>755,508</u>	<u>525,177</u>
	<u>1,113,136</u>	<u>1,084,428</u>
	<u>\$5,195,266</u>	<u>\$5,555,924</u>

See accompanying notes to financial statements.



# Balance Sheet

(States currency)

## LIMITED AND SUBSIDIARIES

1970 and 1969

### LIABILITIES

#### CURRENT LIABILITIES

	<u>1970</u>	<u>1969</u>
Notes payable to banks on demand, secured by pledge of certain inventories and assignment of receivables	\$ 322,552	\$ 879,380
Trade accounts payable and accrued expenses	359,196	694,197
Commissions, bonuses and payrolls	681,506	711,631
Dividends payable	10,422	9,900
Taxes on income	448,209	298,442
Debt instalments due within one year — note B	134,119	133,054
<b>TOTAL CURRENT LIABILITIES</b>	<b>1,956,004</b>	<b>2,726,604</b>

#### LONG-TERM DEBT

Note B	288,355	423,407
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#### SHAREHOLDERS' EQUITY

Capital Stock — Note C:

Authorized:

Class "A" preferred — 17,716 18/100 shares,  
6% cumulative, par value \$10 Canadian per share,  
redeemable at \$11 Canadian per share

Class "B" preferred — 200,109 shares, 6% non-cumulative,  
redeemable at par value of 45¢ Canadian per share

Common — 1,000,000 shares without par value

Issued and fully paid:

Class "A" preferred — 17,716 18/100 shares	164,052	164,052
Class "B" preferred — 200,109 shares	83,385	83,385
Common — 502,408 shares	921,685	921,685

1,169,122	1,169,122
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Retained earnings

1,781,785	1,236,791
2,950,907	2,405,913
<u>\$5,195,266</u>	<u>\$5,555,924</u>

olidated financial statement.

APPROVED ON BEHALF OF THE BOARD:

Allan L. Farrow, Director

Byron W. Edney, Director





# *Earnings - Operations*

**NA-CHURS INTERNATIONAL LIMITED  
AND SUBSIDIARIES**  
**STATEMENT OF CONSOLIDATED INCOME**  
(Expressed in United States currency)  
**YEARS ENDED SEPTEMBER 30, 1970 AND 1969**

	<u>1970</u>	<u>1969</u>
Net sales	<u>\$8,283,426</u>	<u>\$7,717,986</u>
Income before provision for depreciation, interest on long-term debt, taxes on income and extraordinary item	\$1,377,379	\$ 917,215
Provision for depreciation of plant and equipment	236,539	193,185
Interest on long-term debt	<u>46,608</u>	<u>6,296</u>
	<u>283,147</u>	<u>199,481</u>
INCOME BEFORE TAXES ON INCOME AND EXTRAORDINARY ITEM	1,094,232	717,734
Taxes on income:		
Current	587,000	402,000
Deferred	<u>32,000</u>	<u>29,000</u>
	<u>555,000</u>	<u>373,000</u>
INCOME BEFORE EXTRAORDINARY ITEM	539,232	344,734
Extraordinary item — foreign exchange adjustment arising on consolidation — Note A	<u>16,184</u>	<u>-0-</u>
NET INCOME	<u>\$ 555,416</u>	<u>\$ 344,734</u>
Income per common share:		
Before foreign exchange adjustment	\$ 1.052	\$ .666
Based on net income	1.085	.666
Expenses include remuneration paid or payable to senior officers and directors of the Company and its subsidiaries	<u>\$ 241,243</u>	<u>\$ 161,981</u>

See accompanying notes to consolidated financial statement.



**NA-CHURS INTERNATIONAL LIMITED  
AND SUBSIDIARIES**

**STATEMENT OF CONSOLIDATED RETAINED EARNINGS**

(Expressed in United States currency)

**YEARS ENDED SEPTEMBER 30, 1970 AND 1969**

	<u>1970</u>	<u>1969</u>
Retained earnings at October 1	\$1,236,791	\$ 908,415
Net income for the year	555,416	344,734
	<u>1,792,207</u>	<u>1,253,149</u>
Deduct:		
Dividends on Class "A" preferred shares	10,422	9,843
Amortization of excess of cost of shares of subsidiary companies over carrying value of net assets at date of acquisition less minority interest	-0-	6,515
	<u>10,422</u>	<u>16,358</u>
RETAINED EARNINGS AT SEPTEMBER 30	<u>\$1,781,785</u>	<u>\$1,236,791</u>

**STATEMENT OF CONSOLIDATED SOURCE AND APPLICATION OF FUNDS**

(Expressed in United States currency)

**YEARS ENDED SEPTEMBER 30, 1970 AND 1969**

	<u>1970</u>	<u>1969</u>
Source:		
From operations:		
Net income for the year	\$ 555,416	\$ 344,734
Provision for depreciation of plant and equipment	236,539	193,185
Deferred taxes on income	( 32,000)	( 29,000)
	<u>759,955</u>	<u>508,919</u>
Increase in long-term debt	-0-	500,000
TOTAL	<u>759,955</u>	<u>1,008,919</u>
Application:		
Additions to plant and equipment — net	265,247	428,176
Dividends on Class "A" preferred shares	10,422	9,843
Repayment and provision for repayment of long-term debt	135,052	133,994
TOTAL	<u>410,721</u>	<u>572,013</u>
INCREASE IN WORKING CAPITAL	<u>349,234</u>	<u>436,906</u>
Working capital at beginning of year	<u>1,715,892</u>	<u>1,278,986</u>
WORKING CAPITAL AT END OF YEAR	<u>\$2,065,126</u>	<u>\$1,715,892</u>
Represented in:		
Current assets	\$4,021,130	\$4,442,496
Current liabilities	<u>1,956,004</u>	<u>2,726,604</u>
WORKING CAPITAL AT END OF YEAR	<u>\$2,065,126</u>	<u>\$1,715,892</u>

See accompanying notes to consolidated financial statement.





# Earnings - Operations

## NA-CHURS INTERNATIONAL LIMITED AND SUBSIDIARIES

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS SEPTEMBER 30, 1970

#### NOTE A — PRINCIPLES OF CONSOLIDATION

The consolidated financial statements include the accounts of the Company and all of its subsidiaries:

London, Ontario, Canada:

Na-Churs Plant Food Company (Canada) Limited

The Berlou Company (Canada) Limited

Marion, Ohio, U.S.A.:

Na-Churs Plant Food Company

The Berlou Manufacturing Company

Tri-State Trucking Inc.

Inter-company accounts and transactions have been eliminated.

The financial statements are stated in United States dollars. Amounts in Canadian funds have been translated into United States funds on the following basis:

- (a) Current assets and current liabilities at year-end rates (\$1.00 Canadian equals \$.980 United States).
- (b) Property, plant and equipment, deferred taxes on income, long-term debt and capital stock at historical rates (principally \$1.00 Canadian equals \$.926 United States).
- (c) Income, costs and expenses at average rates for the year (principally \$1.00 Canadian equals \$.943 United States).

The unrealized foreign exchange adjustment arising on consolidation has been treated as an extraordinary item in the income statement for the year.

#### NOTE B — LONG-TERM DEBT

	ANNUAL PAYMENT	SEPTEMBER 30	
		1970	1969
Mortgages:			
5%, due January, 1972	\$ 493	\$ 979	\$ 1,354
6%, due December, 1975	346	1,753	2,077
5½%, due January, 1976	8,280	44,750	53,030
Deferred bank note, due September, 1973, interest 1½% above prime rates, currently 10%	125,000	374,992	500,000
	<u>\$134,119</u>	<u>422,474</u>	<u>556,461</u>
Installments due within one year		134,119	133,054
		<u>\$288,355</u>	<u>\$423,407</u>

Na-Churs Plant Food Company has pledged certain property, plant and equipment as security for the bank note. The loan agreement

requires the subsidiary, among other things, to maintain a net working capital position of not less than \$1,000,000 and prohibits any distribution of assets to shareholders or cash dividends in excess of \$15,000 in any fiscal year and then only from earnings during such year.

#### NOTE C — STOCK OPTIONS

Under the terms of the stock option plan for executives and key employees of the Company and its subsidiaries, options not in excess of 5,000 shares per person or 25,000 shares in the aggregate may be granted to purchase authorized but unissued common shares of no par value. During the year, options were granted to six employees for a total of 23,000 shares at a price of \$4.30 Canadian per share (quoted market at September 30, 1970, \$5.00 Canadian per share).

Options to purchase an aggregate of 3,000 shares expire on September 30, 1972; one-third of the shares covered by these options may be taken up cumulatively during each of the three fiscal years preceding September 30, 1972. Options to purchase an aggregate of 20,000 shares expire on September 30, 1974; one-fifth of the shares covered by these options may be taken up cumulatively during each of the five fiscal years preceding September 30, 1974.

#### AUDITORS' REPORT

To the Shareholders,  
Na-Churs International Limited.

We have examined the consolidated balance sheet of Na-Churs International Limited and its subsidiaries as at September 30, 1970, and the related statements of consolidated income, consolidated retained earnings and consolidated source and application of funds for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances. The consolidated financial statement for the preceding year was examined by other independent accountants.

In our opinion, the accompanying balance sheet and statements of income, retained earnings and source and application of funds present fairly the consolidated financial position of Na-Churs International Limited and its subsidiaries at September 30, 1970, and the consolidated results of their operations and source and application of funds for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

November 18, 1970

*Ernst & Ernst*  
Chartered Accountants



# NA-CHURS *Growth Story*

## *Directors*

<b>Income Statistics</b>	1970	1969	1968	1967	1966
Net sales	\$ 8,283,426	\$ 7,717,986	\$ 7,312,039	\$ 6,617,255	\$ 4,226,559
Earnings before depreciation, interest on long-term debt and income taxes	1,393,563	917,215	727,629	688,726	351,624
Depreciation	236,539	193,185	109,758	42,298	38,790
Interest on long-term debt	46,608	6,296	3,940	4,776	3,242
	283,147	199,481	113,698	47,074	42,032
Earnings before income taxes	1,110,416	717,734	613,922	641,652	309,592
Income taxes	555,000	373,000	290,270	300,962	131,634
Net earnings	555,416	344,734	323,652	340,690	177,958
Per common share	1.085	.666	.644	.851	.445
Effective tax rate	50.0%	52.0%	47.3%	46.9%	42.5%
Net earnings as % of sales	6.7%	4.5%	4.4%	5.1%	4.2%
<b>Balance Sheet Statistics</b>					
Current assets	\$ 4,021,130	\$ 4,442,496	\$ 3,274,373	\$ 1,991,968	\$ 1,298,015
Current liabilities	1,956,004	2,726,604	1,995,836	1,489,565	1,090,719
Working capital	2,065,126	1,715,892	1,278,537	502,403	207,296
Ratio of current assets to current liabilities	2.1:1	1.6:1	1.6:1	1.3:1	1.2:1
Net expenditures on plant and equipment	\$ 265,247	\$ 428,176	\$ 458,636	\$ 179,551	\$ 185,788
Long-term debt	422,474	556,461	65,634	74,698	85,404
Shareholders' equity	2,950,907	2,405,913	2,077,313	876,735	528,482
Common shareholders' equity per common share	5.38	4.29	3.64	1.60	.91
Common shares outstanding at year-end	502,408	502,408	502,408	400,218	399,999
Net earnings as a % of common shareholders' equity (at beginning of year) after provisions for preference dividends	25.2%	18.3%	49.0%	90.8%	90.2%

NOTE: 1969 and prior years have been restated in U.S. currency to compare to 1970 reporting.

A. L. FARROW  
President  
Na-Churs International Limited  
Director

B. W. EDNEY  
Executive Vice-President  
Na-Churs International Limited  
Director

W. J. EVANS  
President  
S. F. Lawrason & Company Limited  
Director

D. E. FOYSTON  
Director of A. E. Ames & Co. Ltd.  
Director

J. F. PETCH  
Attorney Ivey & Dowler  
Director

J. D. DONITHEN  
President  
Marion County Bank  
Marion, Ohio  
Director

E. J. ORENDORFF  
Secretary-Treasurer  
Na-Churs International Limited

HEAD OFFICE  
Oakridge Park, London, Ontario, Canada

AUDITORS  
Ernst & Ernst

STOCK EXCHANGE  
Toronto Stock Exchange

TRANSFER AGENT AND REGISTRAR  
The Canada Trust Company, Toronto,  
Winnipeg, Vancouver





★ MANUFACTURING PLANTS  
• STORAGE FACILITIES

## NA-CHURS

MANUFACTURING PLANTS  
AND STORAGE FACILITIES  
THROUGHOUT CANADA  
AND THE UNITED STATES.

## NA-CHURS INTERNATIONAL LIMITED

Na-Churs Drive, Oakridge Park, London, Ontario, Canada





*File*  
**NA-CHURS** *International Ltd.*

OAKRIDGE PARK, LONDON, ONTARIO, CANADA

December 4th, 1970

H. H. Chafey, Esq.,  
Financial Editor,  
Globe and Mail, Limited,  
140 King St., W.,  
Toronto, Ontario.

Dear Mr. Chafey:

Casual perusal of the financial pages in some of our daily newspapers and a more searching look at some of the financial journals indicates that the financial community in general is reporting "stormy weather".

I am enclosing for you a copy of our Annual Report for the year ended 30th of September 1970. In my opinion, it contains nothing -- NOTHING BUT GOOD NEWS!

~~With this~~ thought in mind, I thought that the readers of your columns would be pleased to know that there is at least one international corporation able to report an improvement when others are crying "Ouch!"

Cordially,

NA-CHURS INTERNATIONAL LIMITED

*E. J. Orendorff*  
E. J. Orendorff  
Secretary-Treasurer  
*per m.H.*

EJO/mh  
encls.



